DEPARTMENT OF SOCIAL AND HEALTH SERVICES
HEALTH AND RECOVERY SERVICES ADMINISTRATION
Olympia, Washington

To:	Hospitals Managed Care Organizations	**Memorandum No: 07-24** **Issued:** June 4, 2007
From:	Douglas Porter, Assistant Secretary Health and Recovery Services Administration (HRSA)	**For information, contact:** 800.562.3022, option 2 http://maa.dshs.wa.gov/contact/prucontact.asp

Subject: **Inpatient Hospitals: Policy Changes in Washington Administrative Code (WAC), Anticipated to be Effective August 1, 2007**

Anticipated to be effective for dates of admission on and after August 1, 2007, the Health and Recovery Services Administration (HRSA) is amending sections of Chapter 388-550 WAC to implement the following policy changes referenced in this memorandum:

- All Patient-Diagnosis Related Group (AP-DRG) Grouper;
- Correct Coding emphasis;
- New per diem payment method and length of stay (LOS) benchmark policy;
- New outlier payment method and policy;
- Neonate transfer policy;
- Neonate revenue code definition;
- New interim billing policy for non-psychiatric inpatient claims;
- Inpatient hospital late charge policy;
- Discontinuation of the hospital selective contracting program; and
- Inpatient psychiatric hospital policy.

HRSA will publish new *Inpatient Hospital Billing Instructions* to be effective on the same date as the amended WAC, anticipated to be August 1, 2007.

Hospital Policy Changes Referenced in this Memorandum

HRSA is filing new rules effective August 1, 2007. To view the proposed policy, visit: http://maa.dshs.wa.gov/wacnotices. Select ***CR-102*** on the left side of the page. Then scroll down until you find the proposed rule.

When the rules become permanent, you may view the adopted rules by selecting ***CR-103*** on the left side of the page. Then scroll down until you find the adopted rule.

All Patient-Diagnosis Related Grouper

On August 1, 2007, HRSA will begin using AP-DRG Grouper Version 23 to assign HRSA's recognized DRG classification to each inpatient claim processed through the MMIS for payment.

Correct Coding Emphasis

The following is effective for dates of admission on and after August 1, 2007:

- HRSA will deny inpatient hospital claims billed with DRG 469 or DRG 470 for "invalid coding". **No exceptions**.

- To ensure the appropriate DRG is assigned and paid, providers must bill inpatient hospital claims in accordance with:

  - ✓ National uniform billing data elements; and

  - ✓ Published International Classification of Diseases Clinical Modification (ICD-CM) coding guidelines.

New Per Diem Payment Method and Length of Stay Benchmark Policy

The following is effective for dates of admission on and after August 1, 2007:

- DSHS is establishing a new payment method that is paid based on per diem rates.

- DSHS will replace the Professional Activity Study (PAS) length of stay (LOS) with a DSHS established DRG average LOS as the benchmark for determining appropriate lengths of hospital stays.

- The new LOS benchmark will apply only to:

  - ✓ Claims paid by the new per diem rate method;
  - ✓ Critical access hospital (CAH) payment methods; and
  - ✓ The ratio of costs-to-charges (RCC) for organ transplants.

- DSHS will no longer require LOS extensions. The exception to this is that services requiring prior authorization (PA) continue to require LOS extensions (e.g., psychiatric and acute PM&R admissions).

- DSHS will continue to retrospectively post-pay review the LOS on claims of hospitals paid using the Certified Public Expenditure (CPE) method.

New Outlier Payment Method and Policy

Effective for dates of admission on and after August 1, 2007, DSHS is establishing new outlier payment methods and policy.

Neonate Transfer Policy

The following is effective for dates of admission on and after August 1, 2007, all letters of agreement that allowed RCC payment for a neonate who transferred between acute care hospitals will be superseded by the following payment policy change:

> HRSA will process neonatal claims according to the payment method associated with the DRG assigned to the services provided at discharge or transfer to another acute care hospital.

Neonate Revenue Code Definition

The following is effective for dates of admission on and after August 1, 2007:

DSHS has defined five levels of care for newborns and correlates each level to the nursery accommodation revenue codes (see table below). The billed accommodation revenue code must meet the associated level of care criteria and be supported by documentation in the medical record.

Rev Code	Rev Code Description	Level Of Care
0170	General Classification Nursery	Transitional newborns with low complexity care needs that meet InterQual® Transitional Care Nursery criteria
0171	Newborn – Level I	Healthy newborns with low complexity needs that meet InterQual® Newborn Level I criteria
0172	Newborn – Level II	Newborns with moderately complex care needs that meet InterQual® Special Care Level II criteria
0173	Newborn – Level III	At risk newborns with complex medical conditions that meet InterQual® Neonatal Intensive Care Level III criteria
0174	Newborn – Level IV	At risk newborns with complex medical conditions that meet InterQual® Neonatal Intensive Care Level III criteria **and** require surgical intervention

New Interim Billing Policy for Non-psychiatric Inpatient Claims

The following is effective for dates of admission on and after August 1, 2007:

- Providers must bill non-psychiatric inpatient hospitalizations with extensive lengths of stay in intervals that DSHS will establish in WAC and billing instructions in the near future.

- The provider must submit each additional interim billed claim as an adjustment to the previous interim bill. Each additional interim billed claim and the final billed claim must include:

  - ✓ The entire date span between the date of admission and the "through" date of service or date of discharge; and

  - ✓ All services provided, all diagnoses, and all procedures performed during the entire date span of the claim.

Inpatient Hospital Late Charges

Effective for dates of admission on and after August 1, 2007, HRSA will no longer accept inpatient hospital claims billed for late charges only. Providers must add any late charges to the inpatient hospital claim and submit the entire claim as an adjustment.

Discontinuation of the Hospital Selective Contracting Program

HRSA's hospital selective contracting program will be eliminated for dates of admission on and after July 1, 2007.

Inpatient Psychiatric Hospital Policy

HRSA will be publishing new inpatient psychiatric billing instructions within the new *Inpatient Hospital Billing Instructions*.

How do I conduct business electronically with HRSA?

You may conduct business electronically with HRSA by accessing the WAMedWeb at http://wamedweb.acs-inc.com.

How can I get HRSA's provider documents?

To obtain DSHS/HRSA provider numbered memoranda and billing instruction, go to the DSHS/HRSA website at http://hrsa.dshs.wa.gov (click ***the Billing Instructions and Numbered Memorandum*** link). These may be downloaded and printed.